

Responsibility of the accounting officer for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting determined by the National Treasury, as set out in accounting policy note 1 to the financial statements and in the manner required by the Local Government Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMMA). This responsibility includes:

- designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
- selecting and applying appropriate accounting policies
- making accounting estimates that are reasonable in the circumstances.

Responsibility of the Auditor-General

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA) and section 126(3) of the MFMMA, my responsibility is to express an opinion on these financial statements based on my audit in accordance with the International Standards on Auditing. Because of the matters discussed in the Basis for disclaimer of opinion paragraph, however, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis of accounting

4. The municipality's policy is to prepare financial statements on the basis of accounting as determined by the National Treasury as set out in accounting policy note 1.

Basis for disclaimer of opinion

5. Limitation of scope

I was unable to obtain explanations and calculations to support the following amounts, which represented the difference between the financial statements as adjusted with audit findings and the final, signed financial statements received from the auditee:

• Income.....	8 499 405
• Expenditure	31 351 216
• Appropriation	1 895 261
• Accumulated surplus.....	17 047 636
• Trust funds.....	1 848 709

• Deferred income – Grants	24 842 748
• Receiver of revenue.....	21 341 191
• Property, plant and equipment.....	516 332
• Debtors.....	19 354 422
• Cash resources.....	744 106
• Creditors.....	2 306 053

Consequently, I did not obtain sufficient appropriate audit evidence to satisfy myself as to the fair presentation and disclosure of the annual financial statements.

6. Property, plant and equipment

Supporting documents for assets purchased amounting to R290 166 were not provided by the auditee. Therefore I was unable to determine the correctness, accuracy and validity of the additions of R290 166.

7. Receivables

7.1 Outstanding documents

I could not obtain a detailed debtors age analysis requested from the auditee. Therefore I was unable to determine the valuation of the debtors of R8 475 800.

7.2 Recovery of debtors

The collection charges amounting to R391 455,78 were reflected on the summary of the ageing of receivables report on 30 June 2007. The collection charges did not meet the definition of an asset because the flow of future economic benefits to the municipality was not probable. In addition, the municipality has not handed over debtors to the attorneys for collection. Therefore I was unable to determine the existence of the debtor amount.

Disclaimer of opinion

8. Because of the significance of the matters described in the Basis for disclaimer of opinion paragraph, I have been unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of Jozini Municipality. Accordingly, I do not express an opinion on the financial statements.

OTHER MATTERS

I draw attention to the following matters that are ancillary to my responsibilities in the audit of the financial statements:

Non-compliance with applicable legislation

Municipal Finance Management Act, 2003

9. The municipality did not furnish the bank details to the Auditor-General before the start of the financial year in accordance with section 9 of the MFMA.
10. The internal audit function was not available for the period 1 July 2006 to 17 June 2007, which is in contravention of section 165 (2) of the MFMA.

11. The municipality did not have an audit committee as required by section 166(1) of the MFMA.

South African Law Bargaining Council

12. Some employees have accrued more than 48 annual leave days on 30 June 2007, which is in contravention of section 7(3) and 7(4) of the South African Law Bargaining Council.

Basic Conditions of Employment Act, 1997

13. Certain employees worked overtime that exceeded 30% of their basic income. This is in contravention of section 10 of the Basic Conditions of Employment Act, 1997.

Unemployment Insurance Contributions Act, 2002

14. For some employees the contribution to the Unemployment Insurance Fund was calculated either at 1% of basic salary, 1% of basic salary plus overtime (1.5) or basic salary plus allowances. This was therefore not calculated at 1% of remuneration as defined in paragraph 1 of the Fourth Schedule of the Income Tax Act, 1962, as amended.

15. Internal control

Section 82(1)(c)(i) of the MFMA states that the accounting officer must ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control. The table below depicts the root causes of the matters indicated, as they relate to the five components of internal control. In some instances deficiencies exist in more than one internal control component.

Internal Control Components					
Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring					
Basis for qualification					
Limitation of scope					✓
Property, plant and equipment					✓
Receivables				✓	
outstanding documents					
Receivables – recovery of debts			✓		
Other matters					
Non-compliance with applicable legislation	✓				✓

16. The supplementary schedules on pages 22 to 26 do not form part of the financial statement and is presented as additional information. I have not audited these schedules and, accordingly, do not express an opinion on them.

OTHER REPORTING RESPONSIBILITIES

Reporting on performance information

17. I was engaged to audit the performance information

Responsibility of the accounting officer for the performance information

18. In terms of section 12(3)(c) of the M/FMA, the annual report of a municipality must include the annual performance report of the municipality prepared in terms of section 46 of the Local Government Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA).

Responsibility of the Auditor-General

19. I conducted my engagement in accordance with section 13 of the PAA read with General Notice 646 of 2007, issued in Government Gazette No. 29919 of 25 May 2007 and section 45 of the MSA.

20. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.

21. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the audit findings reported below.

Audit findings (performance information)

Non-compliance with regulatory requirements

22. The priorities, objectives and targets of the integrated development plan (IDP) were not aligned to the annual budget as required by regulation 6 of the Municipal Planning and Performance Management Regulations. As a result, I was unable to compare the development areas and objectives in the IDP with the budget for consistency.

23. The annual performance report for 2006-07, as well as quarterly reports, was not made available to me by the municipality. Therefore I was not able to compare the development areas and objectives of the IDP with the performance report, evaluate whether the report included all the agreed development areas, objectives and targets per the IDP and that the annual report reflected achievements on all key performance areas that were in the IDP for 2006-07.

24. Late finalisation of the audit report

In terms of section 126(3)(b) of the MFMA the Auditor-General is required to submit the audit report to the accounting officer within three months of receipt of the financial statements. In the interest of improving accountability and due to the process implemented to ensure consistency in the manner in which material audit findings are reported, I have delayed the finalisation of the audit report to the date reflected in the audit report.

APPRECIATION

25. The assistance rendered by the staff of the Jozini Municipality during the audit is sincerely appreciated.

Auditor-General

Pietermaritzburg

14 April 2008



AUDITOR-GENERAL



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

FAX

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Recipient
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Date

Message

Hello Stu

As per your request

Attached is a copy of Jozi's Munic Audit Report
for 06/07.

Regards
Bawm

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